

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

INTER-OFFICE COMMUNICATION

TO: Board of Directors

Date: May 26, 2000

FROM: Thomas E. Margro, General Manager

SUBJECT: Fiscal Year 2001 Revised Preliminary Operating Budget

In the past eighteen months the District has seen a tremendous surge in ridership and we expect the high ridership to continue into next year. Maintaining our high standards of customer service, maintenance and system performance in the face of this increasing ridership is one of the key challenges for FY01. The continued high level of activity associated with our capital renovation program only heightens the challenge.

Revision to the Preliminary Budget

The FY01 Preliminary Budget Memo was originally presented to the BART Board of Directors March 31, 2000. A revision to the FY01 Preliminary Budget was presented to the Board Administration Committee May 11, 2000. The revision is incorporated into the following pages, with details of the revision shown separately from the original Preliminary Budget. The original FY01 Preliminary Budget was based on ridership through February. Since then ridership has continued to increase and we now project an additional 5,000 average weekday riders over the original forecast. While more riders will add to the challenge of next year, the revised passenger revenue also enables the District to add rail service, increase station agents and make other changes to the budget related to the overall increase in passengers.

Along with the high ridership we will have more cars in service (533 vs. 523 this year) and increased car hours. In addition, the shop construction and renovation program will be underway. Vehicle reliability and delay recovery will be key issues, both next year and in the near future. Automatic Fare Collection (AFC) demands considerable attention and resources.

While many maintenance and technical programs are designed to enhance the customer experience, we also will focus on some programs aimed directly at our customers and other priority areas. The largest portion of BART's operating budget is labor. Employee development is an ongoing priority. As funding control has shifted to local arenas in recent years, local outreach has become an area of growing importance. Land use and station area planning issues have also come to the forefront.

In addition this year's budget must look beyond the coming year and plan for the future in the areas of vehicle reliability, technology and system capacity. In both the capital and operating budgets, these and other areas need investment now if we are to be ready for tomorrow.

Budget Theme – Maintaining and improving BART customer service and system performance while carrying record levels of ridership

Increasing freeway congestion and high gasoline prices combined with a healthy Bay Area economy drives BART's higher ridership. Our two main sources of operating funds, passenger revenue and sales tax, show a sizable increase over the FY00 Adopted Budget because of these factors. After funding the contractual, inflationary and other non-discretionary elements of our basic budget, the remaining sources are used in the Preliminary Budget to:

- *Increase the base operating budget for expenses related to higher ridership*
- *Target investments in the operating budget to increase our efforts in system performance*
- *Increase the allocation to capital projects*
- *Invest in the future*

Increase the base operating budget for expenses related to higher ridership

Originally, we projected 90.2 million annual passenger trips for FY00, growth of 11% above FY99. Handling a ridership increase of this magnitude without service degradation requires more maintenance, overtime, parts inventory and station coverage. In addition, ongoing capital engineering support is needed to maintain system brought on-line with the completion of capital renovation projects. The FY00 budget was amended at mid-year to recognize both higher revenue and these higher expenses. This "base adjustment" of labor and non-labor to operations line departments continues for FY01. Also included in the base for the FY01 Preliminary Budget is continuation of the train size increases instituted this fall as well as added car hours due to the opening of Pacific Bell Park and other special events. These factors combine for an addition of \$5.2 million to the FY01 expense budget.

The Preliminary Budget was originally put together in February of this year. Ridership has continued to grow through March, April and May, resulting in a revised forecast of 90.8 million passengers, growth of 12% above FY99. The projected continuation of this increase into FY01 will produce an additional \$3.3 million in passenger revenue over the original FY01 forecast. The \$3.3 million is utilized in the Revised FY01 Preliminary Budget to make increases that are directly or indirectly related to the overall dramatic increase in ridership. These include more service (one a.m. and two p.m. rush hour trains; two train operators), 8 additional station agents, a station agent safety and security program including 2 police officers, a pilot car cleaning program, an extensive station cleaning and maintenance project, access improvements and a customer advocate position.

| May Revisions to the FY01 Preliminary Budget | | |
|---|----------------------|----------------------------------|
| Description | New Positions | Labor Plus Non Labor Cost |
| Train service improvements | 2 | \$ 385,000 |
| Additional station agent coverage | 8 | \$ 520,000 |
| Station agent safety & security | 2 | \$ 235,000 |
| Pilot expanded car cleaning program | | \$ 318,000 |
| Station appearance improvements | | \$1,467,000 |
| Access programs | | \$ 275,000 |
| Customer advocacy | 1 | \$ 100,000 |
| FY01 Preliminary Budget Revisions | 13 | \$3,300,000 |

Target investments in the operating budget to increase our efforts in system performance

As we developed next year's budget, we did so within the context of the Strategic Plan. We encouraged departments to look at programs and plan their evolution over several years, not just with the short-term view of this budget. Employee task forces were formed to develop action plans and priorities based on the seven Strategic Plan focus areas. Many of our FY01 budget priorities were the products of the efforts of these teams.

After funding the contractual, inflationary and other non-discretionary elements of our basic budget, increasing the base to handle higher ridership, and achieving \$1.1 million in budget reductions in other areas, an additional \$6.8 million was made available to fund priorities for FY01. The following operating budget priorities for FY01, sorted by Strategic Plan focus area, support the overall theme of

serving higher ridership while maintaining and improving system performance levels, maintenance and customer service.

- Financial Health: Local and wide area network and personal computer support will be increased with the addition of emergency on-call technical services and more technical staff support. Inventory system modifications will provide improved reorder analysis and more user-friendly reports. A business systems plan will review our financial and administrative systems and plan needed changes, as many of these systems have not been substantially upgraded in recent years. A program to monitor contractor substance abuse compliance with FTA regulations will be launched.
- The BART Customer Experience: Efforts aimed at increasing Automatic Fare Collection equipment reliability include seven new technicians and more frequent servicing of change and ticket vending machines. Some of the investments in improving vehicle reliability include staff additions in Rolling Stock and enhanced traction motor rewind and battery replacement programs. Additional Police dispatch staffing will speed response time and a Community Services Assistant will be stationed at the Oakland Coliseum. Programs to improve station conditions are planned including a station stewardship program, a station agent system information system and increased station pressure washing. The biennial customer satisfaction survey will occur in FY01.
- Building Partnerships for Support: Outreach for major District policy development will be amplified by adding a staff member to Planning, holding annual policy, land use and transportation forums and starting a Planning web page. An "Adopt-a-Street" program will enlist local youth at the 16th and 24th Street stations to build local support and improve station cleanliness. Funding is included in the FY01 Budget to sustain increased efforts in state and local government outreach.
- Physical Infrastructure: Systems engineering positions will be added for operations network security and maintenance. A study will be undertaken to develop an optimal plan for future network architecture. A comprehensive review of procurement and materials handling will be undertaken. Wayside train control rehabilitation will be increased. Staff will be added for increased maintenance of AFC equipment, the power distribution system and telecommunications. Support will be added to Information Technology to provide weekend and night coverage for the MARIS vehicle maintenance system.
- Transit Travel Demand: The base budget and Pacific Bell Park service increases will have the greatest impact in this focus area: longer trains; expanded coverage by station agents, maintenance technicians and police; expanded in-station ticket sales and exchanges. An evaluation of new resident marketing programs will be conducted by External Affairs and website funding is planned to accommodate increased use and speed response time. Operations will gather load factor data in order to better determine train size.
- Land Use and Quality of Life: Real Estate and Marketing will jointly host the 2001 "Rail-Volution" conference, which includes participation from many local transit agencies and organizations. "Art in BART", a community outreach program, will be organized to install art in BART stations in cooperation with the local community. Recognizing reimbursable and capital funding for a position will allow the hiring of an additional staff member to support station area planning.
- People of BART: Funding is included for increased training in a variety of areas and the base adjustment will allow for backfill for training purposes. An intern program in Planning is aimed at increasing diversity. Safety is emphasized through enhanced safety programs, more training and the addition of a position to be involved with safety and workers compensation issues. Office

space for Human Resources will be expanded, improving disabled access and work conditions. Other improvements in this area include an additional position in personnel services. A Succession Plan will help prepare for the accelerating loss of long-term employees through retirement. Expense related to FY01 contract negotiations is included in the budget.

| Strategic Plan Focus Area | New Positions | Labor Plus Non Labor Cost |
|-----------------------------------|----------------------|----------------------------------|
| Financial Health | 3 | \$1,156,000 |
| The BART Customer Experience | 11 | \$1,339,000 |
| Building Partnerships for Support | 1 | \$ 569,000 |
| Physical Infrastructure | 7 | \$1,936,000 |
| Transit Travel Demand | | \$ 128,000 |
| Land Use and Quality of Life | | \$ 250,000 |
| People of BART | 3 | \$1,406,000 |
| FY01 Budget Priorities | 25 | \$6,784,000 |

Increase the allocation to capital projects

The FY01 Budget also allocates \$19.8 million for capital expenditures including seismic retrofit and system renovation. Increasing funding to capital has been an ongoing priority. BART capital programs have significant needs that are presently not funded. In total, the FY01 Preliminary Budget includes \$12.0 million more in net support to capital (debt service plus net allocations) than the FY00 Adopted Budget. A list of some of our major capital projects for FY01 is included on the following page.

Invest in the future

In the next several years, with the opening of the San Francisco Airport extension and continued strong ridership growth, BART faces many challenges. It is apparent that we need to take steps now to ensure that both our operational and administrative systems technology and networks are up-to-date and efficient. To start that effort, the FY01 Preliminary Budget funds several studies: network architecture, materials management and business systems. The studies are the initial steps in a careful analysis to define District needs and strategies in these important areas. In addition, BART is conducting a 30-year Plan, which includes three related studies: asset renovation and replacement, system capacity and system expansion.

Revenues, Tax, and Financial Assistance

The budget for FY01 assumes the weekday ridership averages 325,000 trips per day versus 282,700 in the FY00 Adopted Budget. This is a 5.1% increase over the FY00 actual/estimated average weekday trips of 309,320. Annually, FY01 ridership is projected to be 94.89 million trips. Based upon FY00 actual average trip length and fares, these trips are projected to generate \$200.1 million in net rail revenues. Other operating revenues are projected to be \$9.7 million, with growth coming from fiber optic and advertising revenues. Sales and property tax revenues are forecast to generate \$171.0 million and \$15.9 million respectively, growing by 4.8% (over an adjusted base) and 5.0% over FY00 estimated levels.

Expenses

The proposed FY01 operating headcount includes 38 new positions, 25 associated with increased efforts in system performance and 13 with the revision to the Preliminary Budget. The new positions include: personnel analyst, information technology programmer and technicians, police dispatch personnel and community services assistant, vehicle engineer and vehicle trouble desk supervisor, AFC technicians, electricians, telecommunications technician, communications engineers and two supervisory positions in Operations. The revision to the preliminary budget added station agents, train

operators, police officers and a customer ombudsperson. 11 existing capital engineering positions are recommended to convert to operating next fiscal year as part of the base adjustment for higher ridership. The positions are six computer systems engineers, two maintenance engineers and three computer-aided-drafters. The proposed FY01 labor budget includes higher budgets for employee medical and dental insurance. The District has seen large rate increases for PERS administered HMO/PPO insurance rates, with the various plans averaging 10% increases in each of the past two years. We have also experienced expanded use of our self-insured dental coverage, a program that was enhanced last year. Thanks to the continuing efforts to vigorously pursue federal energy sources and to purchase electrical substations, we are able to further reduce the power budget by \$0.3 million, following a \$2.7 million reduction in FY00. Other non-labor expense for FY01 includes budget increases for domestic partner medical insurance, retiree medical insurance and the November 2000 Board election. The non-labor portion of the base increase and targeted new investments will support priorities such as vehicle reliability, technology, inventory and materials to maintain and improve service.

Operating Budget Summary

After allowing for contractual, inflationary and other non-discretionary increases and adjusting our base budget to serve the significant growth in ridership, the FY01 Preliminary Operating Budget dedicates 25 new positions and \$6.8 million to improving service to our customers. The revision to the Preliminary Budget adds another 13 new positions and \$3.3 million of service and customer oriented improvements. Progress in achieving a higher level of customer satisfaction will be carefully monitored through Quarterly Performance Reports and the FY01 Customer Satisfaction Survey to make sure that we get the results we expect from these investments.

Capital Program

Several new capital projects will be initiated in FY01, and many ongoing projects will continue. New projects slated to begin next year include:

- Seismic retrofit engineering
- Replacement of the old train destination signs
- Replacement of worn platform edge tiles
- Access improvements at Glen Park and Balboa Park Stations
- 16th Street/Mission Southwest Plaza redesign
- Concord Station pedestrian and streetscape improvements
- Accessibility improvements at Coliseum/Oakland Airport Station
- Muni FastPass turnstiles in downtown San Francisco stations
- Fruitvale Station parking structure and intermodal facility, in conjunction with the Transit Village
- Replacement of the elevators at MacArthur Station
- Expansion and improvements at maintenance facilities at the Hayward, Richmond and Daly City shops
- Construction of a new train washer at Daly City Yard
- Replacement of train washers at Richmond and Hayward Yards
- Renovation of the Transbay Tube emergency ventilation system
- Replacement of the lintel structures at West Oakland Station

Several other major projects will also continue into FY01:

- San Francisco Airport extension
- Oakland Airport Connector environmental assessment and preliminary engineering

- A/B car renovation
- C1 car midlife overhaul
- Escalator and elevator renovation
- Advanced Automatic Train Control
- AFC modernization program and near-term improvements
- Expansion and improvements at maintenance facilities at the Concord shop
- Traction power system renovation
- Train control system renovation

Financial Outlook

The Board of Directors and staff held a Financial Priorities Workshop in March. While the short-term financial picture is promising, uncertainties lie ahead. Although we can and should make prudent investments this year to expand and improve service, we need to be cautious about building in ongoing operating cost increases. By finding ongoing reductions in other areas we were able to enhance the amount available for targeted new investments in customer service and system performance. These new investments add \$6.8 million to the operating budget beyond the \$5.2 million increase to the base budget for higher ridership. Of the \$6.8 million amount, \$4.1 million funds ongoing expenses while the remaining \$2.7 million funds one-time expenses. The May revision to the FY01 Preliminary Budget of \$3.3 million consists of \$1.8 million ongoing and \$1.5 million one-time expenses. Capital allocations are increased, recognizing the substantial need for funding for seismic retrofit and system renovation. The operating budget is fiscally sound and balanced, the FY01 operating ratio improves to 65% and sorely needed allocations to capital programs are increased.

Next Steps

The financial planning process consists of 17 separate detailed presentations and various budget motions and actions to the Administration, E&O and PAAL committees, and the full Board between February and August. To date, 9 have occurred and the 8 upcoming presentations/actions will continue to address:

- FY01 Operating Budget
- FY01 Proposition 4 Limitation
- FY01 Capital Budget
- FY01 Short Range Transit Plan
- FY01 Capital Improvement Program

The financial plans in all of these documents will continue to be guided by the visions, goals, and strategies outlined in the Strategic Plan and the results of the Customer Satisfaction Survey.

Thomas E. Margro
General Manager

cc: Board of Directors
Board Appointed Officers
Deputy General Manager
Assistant General Managers
Executive Managers

PRELIMINARY COMMITTEE AND BOARD REVIEW SCHEDULE FISCAL YEAR 2001 FINANCIAL PLANNING CALENDAR

| Date | Activity |
|---------|---|
| 2/24/00 | Administration Committee reviews the Committee & Board Calendar: FY01 Financial Planning |
| 3/07/00 | Strategic Plan Committee reviews the Annual Strategic Plan Report |
| 3/09/00 | The Board holds a Financial Priorities Workshop. |
| 3/23/00 | Administration Committee reviews the FY01 Preliminary Operating Budget: Ridership and Revenue and Operating Financial Assistance, Debt Service, and Allocations. |
| 4/13/00 | <p>Administration Committee receives the FY01 Preliminary Budget.</p> <p><u>Board rules require submission to this committee's first meeting each April.</u></p> <p>Staff presents an overview of the FY01 Preliminary Budget package.</p> <p>Administration Committee receives the FY01 Preliminary Budget Resource Manual: Budget summaries, organization charts, goals and objectives, department goals and objectives performance.</p> <p>PAAL Committee reviews the FY01 Preliminary Operating Budget: A.D.A. Paratransit, Feeder Bus and Shuttle budgets.</p> |
| 4/27/00 | <p>Administration Committee reviews FY01 Service Plan, Improvements, and Related Requirements.</p> <p>Administration Committee reviews the FY01 Preliminary Operating Budget: Expenses.</p> <p>Administration Committee forwards the FY01 Preliminary Budget to the full Board:</p> <p><u>Board rules require that the Board receive the budget not later than the first meeting each May.</u></p> |
| 5/11/00 | <p>Administration Committee receives a presentation on the FY01 Proposition 4 Appropriations Limit and passes to the Board a motion to set a date to receive public comment.</p> <p>Administration Committee passes to the Board a motion to publish a pamphlet containing FY01 budget information and a motion to set a date for a public hearing.</p> |

PRELIMINARY COMMITTEE AND BOARD REVIEW SCHEDULE FISCAL YEAR 2001 FINANCIAL PLANNING CALENDAR

| Date | Activity |
|---------|--|
| 5/25/00 | <p>Board adopts motion to publish a FY01 Budget Pamphlet and to set the public hearing date. <u>The pamphlet must be released at least 10 days before the first budget public hearing.</u></p> <p>Board adopts motion to set a date to receive public comment on the District's FY01 Appropriations Limit. <u>Notice of this public comment date must be published not less than 15 days in advance of the meeting.</u></p> <p>Joint Administration Committee/E&O Committee:</p> <ul style="list-style-type: none"> • Reviews the FY01 Capital Budget • Reviews the Draft FY01 Capital Improvement Plan • Reviews the Draft FY01 Short Range Transit Plan |
| 6/8/00 | <p>Board holds a public hearing on the FY01 Annual Budget. <u>Board rules require a hearing by June 20.</u></p> <p>Board authorizes release of the Draft FY01 Short Range Transit Plan and Draft FY01 Capital Improvement Plan.</p> <p>Administration Committee forwards to the Board a motion to adopt the FY01 Annual Budget.</p> <p>Administration Committee forwards to the Board a motion to adopt the District's FY01 Proposition 4 Appropriations Limit.</p> |
| 6/22/00 | <p>Administration receives public comment on Proposition 4 Appropriations Limit.</p> <p>Board passes the resolution to adopt the FY01 Proposition 4 Appropriations Limit.</p> <p>Board passes the resolution to adopt the FY01 Annual Budget. <u>Board rules require adoption by June 30.</u></p> |
| 7/13/00 | <p>Board of Directors receives public comment on the Draft FY01 Short Range Transit Plan and Draft FY01 Capital Improvement Plan.</p> |
| 7/27/00 | <p>Joint Administration/E&O Committees pass to the Board a motion to adopt the Draft FY01 Short Range Transit Plan and a motion to adopt the Draft FY01 Capital Improvement Plan.</p> |
| 8/10/00 | <p>Board passes a motion to adopt the FY01 Short Range Transit Plan and the FY01 Capital Improvement Plan.</p> |

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
REVISED PRELIMINARY OPERATING BUDGET
FISCAL YEAR 2001
INCOME STATEMENT

(\$THOUSANDS)

| | FY00 ADOPTED BUDGET | FY00 REVISED BUDGET | FY01 ORIGINAL PRELIMINARY BUDGET | FY01 REVISED PRELIMINARY BUDGET |
|--|------------------------------------|------------------------------------|---|--|
| REVENUES | | | | |
| Net Rail Revenue | \$ 174,500.0 | \$ 184,500.0 | \$ 196,762.7 | \$ 200,062.7 |
| Paratransit | 500.0 | 500.0 | 425.0 | 425.0 |
| Net Passenger Revenue | \$ 175,000.0 | \$ 185,000.0 | \$ 197,187.7 | \$ 200,487.7 |
| Interest Revenue | 7,500.0 | 8,500.0 | 9,000.0 | 9,000.0 |
| Other Operating Revenue | 8,083.5 | 9,083.5 | 9,686.2 | 9,686.2 |
| TOTAL OPERATING REVENUE | \$ 190,583.5 | \$ 202,583.5 | \$ 215,873.9 | \$ 219,173.9 |
| EXPENSES | | | | |
| Net Labor | \$ 221,191.5 | \$ 226,616.5 | \$ 238,562.4 | \$ 239,805.4 |
| Express Bus Service | 2,309.0 | 2,309.0 | 2,855.4 | 2,855.4 |
| Shuttle Service | 105.0 | 105.0 | 0.0 | 0.0 |
| ADA Paratransit Services | 6,430.0 | 6,430.0 | 6,622.9 | 6,622.9 |
| Purchased Transportation | 3,184.6 | 3,184.6 | 3,358.6 | 3,358.6 |
| Traction & Station Power | 18,000.0 | 18,000.0 | 17,600.0 | 17,705.0 |
| Other Non-Labor | 56,132.1 | 58,807.1 | 64,685.0 | 66,637.0 |
| TOTAL OPERATING EXPENSES | \$ 307,352.2 | \$ 315,452.2 | \$ 333,684.3 | \$ 336,984.3 |
| OPERATING DEFICIT | \$ (116,768.7) | \$ (112,868.7) | \$ (117,810.4) | \$ (117,810.4) |
| TAX & FINANCIAL ASSISTANCE | | | | |
| 1/2¢ Sales Tax (75%) | \$ 159,165.0 | \$ 159,165.0 | \$ 170,955.2 | \$ 170,955.2 |
| Property Tax | 15,200.0 | 15,200.0 | 15,912.0 | 15,912.0 |
| State Transit Assistance (STA) | 0.0 | 0.0 | 0.0 | 0.0 |
| TDA & Other Assistance | 703.7 | 703.7 | 1,224.8 | 1,224.8 |
| TOTAL TAX & FIN. ASSISTANCE | \$ 175,068.7 | \$ 175,068.7 | \$ 188,092.0 | \$ 188,092.0 |
| DEBT SERVICE & ALLOCATIONS | | | | |
| Operating Reserve Allocation | \$ 3,200.0 | \$ 3,200.0 | \$ 0.0 | \$ 0.0 |
| Debt Service Allocations | (52,700.0) | (46,300.0) | (50,481.6) | (50,481.6) |
| Capital & Other Allocations | (8,800.0) | (19,100.0) | (19,800.0) | (19,800.0) |
| TOTAL DEBT SVC. & ALLOC. | \$ (58,300.0) | \$ (62,200.0) | \$ (70,281.6) | \$ (70,281.6) |
| FINANCIAL RESULT (DEFICIT) | \$ 0.0 | \$ 0.0 | \$ 0.0 | \$ 0.0 |
| Rail Farebox Ratio | 59.1% | 60.8% | 61.3% | 61.7% |
| Farebox Ratio | 56.9% | 58.6% | 59.1% | 59.5% |
| Operating Ratio | 62.0% | 64.2% | 64.7% | 65.0% |
| Average Weekday Ridership | 282,700 | 298,758 | 320,032 | 325,000 |
| Passenger Miles (000) | 1,071,700.0 | 1,133,042.3 | 1,210,029.4 | 1,226,083.7 |
| Rail Cost/Passenger Mile | 27.56¢ | 26.78¢ | 26.52¢ | 26.44¢ |

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT REVISED PRELIMINARY BUDGET DISCUSSION FISCAL YEAR 2001

SERVICE

The FY01 budget reflects increased train lengths on several routes during various times of the day to better match service with demand. Our train sizing plan is an evolving one and is changed regularly based on feedback from operations personnel as well as BART riders.

Another area of increased train sizing is on the Fremont/Daly City line. This line generates the highest ridership and the FY01 budget reflects increasing the peak train lengths from eight cars to nine cars. Finally, car hours have been added to the budget to account for additional service as a result of the Pacific Bell Park opening on March 31, 2000. It is anticipated that BART will operate longer trains to many of these sold out baseball games.

The original FY01 Preliminary Operating Budget included:

- Fifty-six trains on line with 496 vehicles during weekday peak periods.
- 533 total vehicles in service.
- Total car hours of service set at 1.998 million.
- \$6.6 million comprising the District's share of the three county region's \$31.0 million budget for ADA mandated paratransit services. Total trips within this region are projected to be 2.0 million in FY01.
- 94.9 million annual rail passenger trips generating 1.2 billion passenger miles.
- Programs to improve customer satisfaction including programs designed to improve vehicle operating reliability, automatic fare collection and station appearance and cleanliness.
- Continued emphasis on replacing, renovating and modernizing the physical infrastructure of BART.

The revision to the Preliminary Budget adds:

- 1 additional train on line with 10 additional vehicles during weekday peak periods.
- Approximately 20,000 additional car hours of service.
- Additional service: a.m. peak Concord/Daly City and p.m. peak Daly City/Bay Point.
- Extension of low headway p.m. service on Concord Line.
- Enhancements to customer related programs: increased station agent coverage, station cleanliness & maintenance and vehicle cleanliness.
- Station agent security program to provide for the safety of our employees.

RIDERSHIP AND REVENUES

Annual passenger trips in millions:

| Fiscal Year | Annual Trips | Year to Year % Growth |
|------------------------|---------------------|----------------------------------|
| FY 90 Actual | 70.55 | |
| FY 91 Actual | 71.90 | 1.9% |
| FY 92 Actual | 72.99 | 1.5% |
| FY 93 Actual | 73.94 | 1.3% |
| FY 94 Actual | 73.18 | -1.0% |
| FY 95 Actual | 72.05 | -1.5% |
| FY 96 Actual | 72.45 | 0.6% |
| FY 97 Actual | 75.87 | 4.7% |
| FY 98 Actual | 75.67 | -0.3% |
| FY 99 Actual | 81.36 | 7.5% |
| FY 00 Actual/Estimated | 90.79 | 11.6% |
| FY 01 Budget | 94.89 | 4.5% |

Actual/estimated ridership for FY00 is up 11.6% over FY99 actual ridership. Much of this increase can be attributed to the continuing expansion of the Bay Area economy. Unemployment is at historically low rates and new jobs have been created. In addition to directly contributing to ridership growth, the economic expansion increases auto congestion, driving even more people to BART.

Ridership has grown in four noticeable phases since the fall of 1998 (FY99). At that time, average weekday trips increased by approximately 10,000 over the then base of 270,000, due mainly to riders switching to BART from the Muni Metro system. The second increase occurred over the summer of 1999, at the start of FY01, when average weekday trips jumped again, this time to around 295,000. The third increase occurred last fall, when ridership jumped by another 20,000 to an annualized base of 315,000. The fourth increase occurred this spring and is reflected in the Revised Preliminary Budget, increasing the base another 5,000 trips to 320,000. The FY01 Revised Preliminary Budget works off of this new base and assumes that ridership grows by just under 2.0% to 325,000 average weekday trips. The FY00 actual/estimated average weekday trips of 309,320 is lower than the FY00 year-end base of 320,000, since it includes ridership levels from before the third and fourth increases.

Based upon these ridership expectations and actual average trip lengths of 13.0 miles, FY01 passenger miles are projected to increase to 1.23 billion passenger miles from the FY00 actual/estimated of 1.18 billion passenger miles. FY01 net rail revenue is projected to increase to \$200.1 million, versus FY00 actual/estimated revenues of \$191.5 million. ADA paratransit revenues are estimated to be \$0.4 million in FY00 and increasing to just over \$0.4 million in FY01. The total passenger revenue is projected to be \$200.5 in FY01.

The FY01 budget for interest earnings is set at \$9.0 million, on par with the FY00 year-end estimate of \$9.0 million.

Other Operating Revenue is as follows:

| (\$millions) | FY00 Budget | FY01 Budget |
|--------------------------------|--------------------|--------------------|
| Fiber Optics | \$2.7 | \$3.4 |
| Advertising | 1.9 | 2.5 |
| Concessions | 2.0 | 2.3 |
| Other | 1.5 | 1.5 |
| Other Operating Revenue | \$8.1 | \$9.7 |

The increase in Other Operating Revenue is due in part to an additional \$0.5 million over the contractual increase in advertising revenue and an additional \$0.7 million in new fiber optics revenue from amortization of pre-paid contracts. The remaining \$0.4 million rise is due to contractual and inflationary increases.

Total Operating Revenue, which encompasses Passenger Revenue, Interest Earnings and Other Operating Revenue, is projected to reach \$219.2 million in FY01. This amount represents a 15.0% increase over the FY00 Adopted Budget.

OPERATING COSTS

Labor

The FY01 Net Labor costs are projected to rise to \$239.8 million from \$221.2 million in the FY00 Adopted Budget. FY01 Net Labor increased by \$18.6 million over FY00. The largest contributing factors were:

- A contractual 4% wage increase for all five unions.
- A \$1.9 million increase in the budget for PERS medical insurance caused by rate increases of over 10% in each of the past two calendar years.
- A \$1.5 million increase in the District's dental insurance, recognizing increased spending under the enhanced dental plan that began 1/1/99.
- An increase to the base budget to adjust for higher ridership: including overtime and the conversion of 11 capital positions to operating.
- 25 new operating positions to support the focus areas of the Strategic Plan.
- 13 new operating positions to support the service increase included in the revision to the Preliminary Budget.

On the capital/reimbursable side, full-time equivalent headcount is expected to decrease from 394 positions in FY00 to 384 positions in FY01. The primary change in the composition of the FY01 capital headcount compared to FY00 results from the conversion of 11 positions from capital to operating.

Beginning July 1, 1994, the District implemented a Cost Allocation Plan. This FTA approved plan allows for the transfer of capital monies to operating to offset the operating cost of administering capital programs. Personnel in support departments provide project implementation services, such as budget control and contract management, to capital project managers. In addition, allocations for overhead cost (e.g., office space, utilities, supplies, etc.) are covered in the Cost Allocation Plan. The Cost Allocation Plan provides a mechanism to capture such costs and charge them back to the capital projects and, hence, to the ultimate funding sources.

The FY01 budget anticipates returning \$4.5 million in such charge-backs to the operating budget. This \$4.5 million reimbursement to the FY01 operating budget is the equivalent of 48 operating positions. Cost Allocation plan detail:

| | Cost Allocation Plan Budget (\$millions) | Equivalent Reimbursable Staff |
|-------------|---|--------------------------------------|
| FY00 Budget | \$4.2 | 48 |
| FY01 Budget | \$4.5 | 48 |

FY01 Revised Preliminary Budget positions are as follows:

| June “High Water” Head Count Budget (\$millions) | | | |
|---|------------------|----------------|--------------|
| | Operating | Capital | Total |
| FY00 Adopted Budget | 3,057 | 394 | 3,451 |
| New positions to support focus areas of the Strategic Plan | 25 | - | 25 |
| New positions to support the service increase included in revision to the FY01 Preliminary Budget | 13 | - | 13 |
| Capital to operating conversions | 11 | -11 | - |
| Net in other areas | - | 1 | 1 |
| FY01 Revised Preliminary Budget | 3,106 | 384 | 3,490 |

Non Labor

The FY01 Express Bus budget will increase from \$2.3 million to \$2.8 million. The \$2.8 million represents the annual District cost sharing for this service with the local operators after the transfer of offsetting TDA funds from BART to the local operators. The increase of \$0.5 million over FY00 is caused by increased costs of the local operators who service the former BART express bus routes. However, the increase is directly offset by \$0.5 million in additional TDA funds that BART receives from Alameda and Contra Costa counties.

| Express Bus Budget (\$millions) | FY00 | FY01 |
|--|----------------|----------------|
| BART share of operating expenses | \$(2.3) | \$(2.8) |
| Additional TDA assistance | 0.0 | 0.5 |
| Net impact on budget | \$(2.3) | \$(2.3) |

The District's Shuttle Service to the Oakland International Airport was budgeted at \$0.1 million for FY00. In FY01 revenue for this service is expected to cover expense, so it is budgeted to break even.

ADA Paratransit contracted services are projected to increase from \$6.4 million in FY00 to \$6.6 million in FY01, consistent with revised regional ADA paratransit service forecasts. FY01 ADA paratransit service budget detail:

| ADA Paratransit Budget (\$millions) | FY00 | FY01 |
|--|----------------|----------------|
| Revenue from van fares | \$0.5 | \$0.4 |
| BART share of operating expenses | (6.4) | (6.6) |
| STA/TDA Assistance for paratransit | 0.0 | 0.0 |
| Net impact on budget | \$(5.9) | \$(6.2) |

Purchased Transportation is budgeted at \$3.4 million for FY01 and is comprised of two items:

| Purchased Transportation (\$millions) | FY00 | FY01 |
|--|--------------|--------------|
| MUNI transfer payment | \$2.2 | \$2.4 |
| Colma/SamTrans operating agreement | 1.0 | 1.0 |
| Total Purchased Transportation | \$3.2 | \$3.4 |

The \$0.2 increase in the Muni transfer payment is based upon the projected percentage change in District sales tax receipts over the past two fiscal years, between FY99 and FY00. This adjustment is consistent with the BART/Muni Transfer Agreement.

Ridership projections indicate that 3.9 million trips will either originate or end at Colma station during FY01, generating \$8.4 million in net rail passenger revenue. After taking into account riders diverted from Daly City station and net Colma operating expenses per the SamTrans agreement, the FY01 budget projects that \$1.0 million will be returned to SamTrans, under the terms of that agreement.

BART has continued to enjoy the benefits of 70 Megawatts (MW) of federal electrical power over the last year. This federal power is composed of allocations from Bonneville Power Administration (BPA), 66 MW, and Western Area Power Administration (Western), 4 MW, with the remainder of our power needs being supplied by PG&E. Depending on the outcome of ongoing power purchase negotiations, additional savings could be realized during and after FY00.

BART has received a favorable ruling at the Federal Energy Regulatory Commission (FERC), and succeeded in the passing of three separate pieces of legislation between 1995 and 1998. Because of these and the above mentioned contracts with Western and BPA and a reduction in estimated delivery costs, BART is projected to achieve a savings of \$6.1 million in FY01 compared to the baseline cost of buying all power from PG&E. In addition, BART has been realizing approximately \$1.0 million in savings due to the purchase of electric traction power substations at Willow Pass and Dublin/Pleasanton. These total savings of approximately \$7.1 million will be partially offset by a \$0.4 million cost increase associated with additional car hours since FY98.

Power budget detail:

| Power Budget (\$millions): | FY98 | FY99 | FY00 | FY01 |
|--|---------------|---------------|---------------|---------------|
| Baseline costs before savings | \$23.7 | \$23.7 | \$23.7 | \$23.7 |
| Adjust Baseline (Correct meter read errors) ¹ | N/A | N/A | N/A | 0.7 |
| Change in car hours | - | (0.2) | 0.2 | 0.4 |
| Savings from federal power sources | (4.9) | (2.8) | (4.9) | (6.1) |
| Savings from electric substation purchases | - | - | (1.0) | (1.0) |
| Net Power Budget | \$18.8 | \$20.7 | \$18.0 | \$17.7 |

¹ PG&E has notified BART of meter reading errors at the Castro Valley and Dublin-Pleasanton substations, which were not identified until early 2000. Approximately 3 MW of BART actual system load has been continuously under-measured since these stations went into service, but should properly be reflected as a component of the baseline power budget. The FY01 budget effect of this adjustment would be approximately \$0.7 million if that power were purchased from PG&E.

FY01 Other Non Labor expense includes the following categories:

- Material Usage: *Inventory Withdrawals, Purchases*
- Professional & Technical Services: *Benefit & Insurance Administrators, Audit & Legal Services, Printing, Computer Hardware & Software, Building Rentals, Consulting*
- Rental and Maintenance Contracts: *Graffiti Removal, Traction Motor Rewinds, Painting, Equipment Rentals, Maintenance Contracts*
- Insurance: *Premiums and Uninsured Losses*
- Utilities: *Trash Collection, Natural Gas, Miscellaneous Power*
- Miscellaneous: *Telephones, Supplies, Postage, Administrative Fees, Property Tax*

Other Non Labor expenses are expected to increase from \$56.1 million in FY00 to \$66.6 million in FY01, an increase of \$10.5 million. The increase breaks down into the following areas:

| Included in the original FY01 Preliminary Budget: | Other Non Labor (\$millions) |
|--|-------------------------------------|
| Materials/maintenance to meet higher ridership levels | \$1.4 |
| Materials/maintenance to maintain and improve service | 1.3 |
| Inflation adjustment to FY01 Budget: 3.0% | 1.7 |
| Capital threshold change from \$1,000 to \$5,000 | 1.1 |
| Retirement medical increase from \$0.9 to \$1.7 | 0.8 |
| Building leases | 0.3 |
| Domestic Partner insurance increase from \$0.2 to \$0.8 | 0.6 |
| Training and employee support | 0.4 |
| Technology improvements and studies | 1.0 |
| Customer service related programs | 0.5 |
| Labor negotiations | 0.4 |
| Customer and government outreach | 0.5 |
| Biennial Board election | 0.3 |
| Liability insurance reduction | (0.4) |
| FY00 one-time expenses | (1.3) |
| <i>Included in the revision to the FY01 Preliminary Budget:</i> | |
| Station cleaning and maintenance project | 1.5 |
| Access improvement programs | 0.3 |
| Vehicle parts, station agent security and other non-labor | 0.1 |
| Total Net Increase | \$10.5 |

Capital Threshold Change

Beginning July 1, 2000, the capitalization threshold will be raised from \$1,000 to \$5,000. This change is consistent with FTA grant management guidelines, which establish a maximum capitalization threshold of \$5,000. Additionally, by allowing BART to reduce the amount of effort required in the acquisition and tracking of items that cost between \$1,000 and \$5,000, the increased threshold would facilitate compliance with FTA's requirement that grantees operate efficiently and effectively. Previously, items with a unit cost of \$1,000 or more and a useful life greater than one year have been purchased with capital funds.

With this change, items under \$5,000 will now be purchased with operating funds. Identical like-kind replacements, which have previously been purchased with operating funds even if they exceed the amount/life expectancy threshold, remain an exception. Items eligible for project-specific funding will continue to be funded by capital, even if they fall below the threshold. There will be a net reduction in budgeted capital expenditures of \$1.1 million. The \$1.1 million increase in budgeted operating expenses will be offset by an equal reduction in allocations to capital. The threshold was last changed fourteen years ago, from \$200 to \$1,000.

TAX AND FINANCIAL ASSISTANCE

Sales tax revenue is continuing its strong growth trend. An unusually strong winter holiday quarter has brought the fiscal year-end estimate up to \$165.1 million. Approximately \$2.0 million of the \$4.0 winter quarter increase is projected to be permanent. Based upon long-term growth trends and projections by regional agencies, FY01 is forecast to grow 4.8% over the FY00 adjusted base.

| | Sales Tax (\$millions) | Year to Year % Change |
|-----------------------|-----------------------------------|---|
| FY91 Actual | \$109.0 | |
| FY92 Actual | 105.5 | Down 3.2% |
| FY93 Actual | 107.9 | Up 2.3% |
| FY94 Actual | 109.8 | Up 1.8% |
| FY95 Actual | 115.2 | Up 4.9% |
| FY96 Actual | 126.1 | Up 9.5% |
| FY97 Actual | 135.0 | Up 7.1% |
| FY98 Actual | 144.7 | Up 7.2% (6.8% real gain) |
| FY99 Actual | 151.8 | Up 4.9% |
| FY00 Actual/Estimated | 165.1 | Up 8.8% |
| FY01 Budget | 171.0 | Up 4.8% (over adjusted base of \$163.1) |

Property Tax receipts are expected to rise by 4.0% over the FY00 year-end forecast, consistent with recent trends in collections and home sales:

| | Property Tax (\$millions) | Year to Year % change |
|-----------------------|--------------------------------------|------------------------------|
| FY91 Actual | \$10.6 | |
| FY92 Actual | 11.1 | Up 4.8% |
| FY93 Actual | 11.6 | Up 4.0% |
| FY94 Actual | 12.3 | Up 6.5% |
| FY95 Actual | 12.0 | Down 2.8% |
| FY96 Actual | 12.5 | Up 4.3% |
| FY97 Actual | 12.8 | Up 1.9% |
| FY98 Actual | 13.3 | Up 4.6% |
| FY99 Actual | 14.5 | Up 8.6% |
| FY00 Actual/Estimated | 15.3 | Up 5.5% |
| FY01 Budget | 15.9 | Up 4.0% |

As part of its agreement with local bus operators to take over former BART Express Bus service, the District will not be claiming most of the STA and TDA funds for which it is eligible. MTC's proposed apportionment of the FY01 funds for the transit coordination program does include \$1.2 million in Alameda County TDA Article 4.5 funds for BART general operating fund, \$0.5 million of which is directed to offset a similar increase in Express Bus expense for FY01.

DEBT SERVICE

FY01 bond debt service is projected to be \$50.5 million. This includes \$41.0 million in debt service for bonds sold in 1990, 1991, 1995, and 1998, as well as \$7.2 million from the 1999 bond sale and \$2.3 million for a bond sale planned in early FY01. The FY01 revenue bond debt service increases by \$4.4 million over the FY00 projected actual of \$46.1 million. A full year of debt service on the mid-1999 bond sale of \$134.9 million accounts for \$2.1 million of this increase. The bond sale funded \$90 million for the A & B-Car Renovation Program, \$26 million for the BART-SFO Extension Capital Reserve Account (CAPRA) and \$13 million for expansion of the District's maintenance facilities. BART will pay the debt service on the CAPRA portion of the bond from the annual generations of the \$0.76 surcharge collected at the Daly City station. The remaining \$2.3 million increase results from an anticipated bond sale part way through FY01 to fund a remaining commitment on the A & B Car Renovation Program.

| | Bond Debt Service (\$millions) | |
|-------------|---|-----------|
| | Annual Total | \$ Change |
| FY95 Actual | \$21.6 | |
| FY96 Actual | 28.4 | +\$6.8 |
| FY97 Actual | 29.9 | +1.5 |
| FY98 Actual | 27.6 | -2.3 |
| FY99 Actual | 42.3 | +14.7 |
| FY00 Actual | 46.1 | +3.8 |
| FY01 Budget | 50.5 | +4.4 |

FINANCIAL RESULT

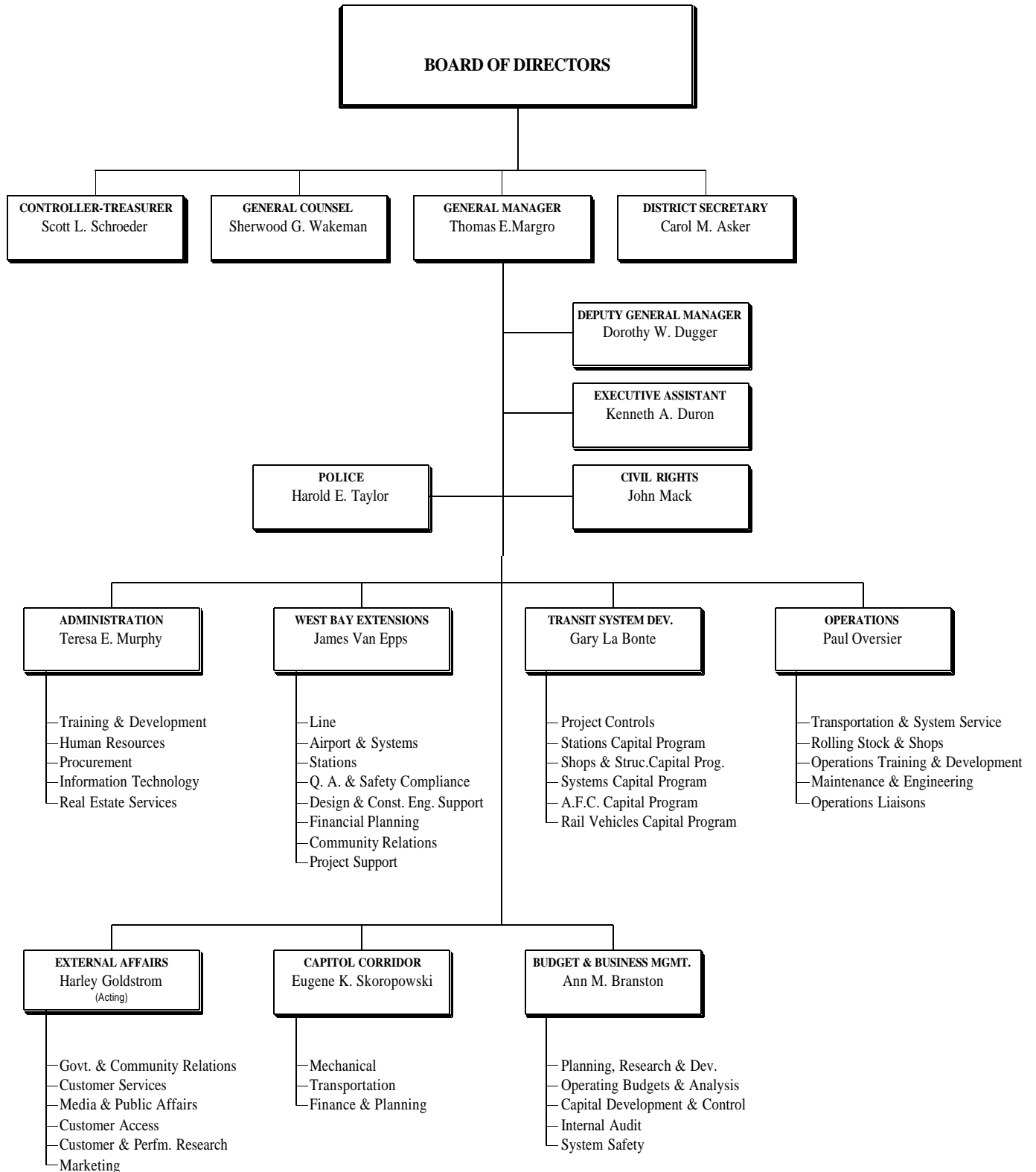
The FY01 Revised Preliminary Operating Budget is in balance with \$407.3 million of Operating Uses covered by \$407.3 million of Operating Sources.

| Operating Sources | (\$millions) |
|--------------------------------|---------------------|
| Operating Revenues | \$219.2 |
| Tax & Financial Assistance | \$188.1 |
| Total Operating Sources | \$407.3 |

| Operating Uses | (\$millions) |
|-----------------------------|---------------------|
| Operating Expenses | \$337.0 |
| Debt Service & Allocations | \$70.3 |
| Total Operating Uses | \$407.3 |

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

FISCAL YEAR 01 PRELIMINARY BUDGET ORGANIZATION CHART



**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
FY01 REVISED PRELIMINARY BUDGET
OPERATING EXPENSE BUDGET FY00 vs. FY01 COMPARISON**

| OFFICE/DEPARTMENT | FY00 Adopted Budget | FY01 Revised Preliminary Budget |
|---|---------------------------|---------------------------------------|
| General Manager | \$ 922,937 | \$ 1,110,742 |
| Legal | 2,680,992 | 2,912,996 |
| Finance | 16,213,627 | 17,016,936 |
| District Secretary | 987,470 | 1,440,215 |
| Administration | 212,489 | 222,538 |
| Training | 1,052,016 | 1,300,904 |
| Human Resources | 5,964,383 | 8,482,709 |
| Procurement | 7,051,571 | 7,734,906 |
| Information Technology | 5,441,085 | 6,838,314 |
| Real Estate Services | 6,772,921 | 7,567,869 |
| Administration | 26,494,465 | 32,147,240 |
| Administration | 235,994 | 241,502 |
| Customer Access | 11,753,195 | 12,904,610 |
| Marketing | 2,609,096 | 2,731,647 |
| Media & Public Affairs | 609,163 | 634,539 |
| Government & Community Relations | 1,302,201 | 1,698,420 |
| Customer Services | 1,738,956 | 1,827,160 |
| Customer & Performance Research | 1,120,275 | 867,260 |
| External Affairs | 19,368,880 | 20,905,138 |
| Police | 22,668,282 | 24,110,041 |
| Administration | 319,500 | 237,455 |
| Operations Technical Services | 2,949,591 | - (1) |
| Maintenance & Engineering | 54,958,005 | 62,223,008 (1) |
| Rolling Stock & Shops | 60,067,063 | 66,832,404 |
| Operations Training & Development | 3,220,587 | 3,192,211 |
| Transportation & System Service | 68,888,316 | 74,833,332 |
| Operations Liaisons | 309,663 | 2,587,746 (1) |
| Operations | 190,712,725 | 209,906,156 |
| West Bay Extensions | 0 | 0 |
| Transit System Development | 85,288 | 93,088 |
| Administration | 297,870 | 312,633 |
| Operating Budgets & Analysis (Includes Power) | 23,848,529 | 23,575,921 |
| Internal Audit | 1,234,275 | 1,316,042 |
| System Safety | 1,688,069 | 2,005,748 |
| Planning, Research & Development | 1,559,848 | 1,948,236 |
| Capital Development & Control | 1,649,143 | 1,502,201 |
| Budget & Business Management | 30,277,734 | 30,660,781 |
| Office of Civil Rights | 1,170,010 | 1,143,649 |
| Capitol Corridor | 0 | 0 |
| Subtotal | 311,582,410 | 341,446,982 |
| Cost Allocation Plan | (4,230,210) | (4,462,636) |
| TOTAL | \$ 307,352,200 | \$ 336,984,346 |

(1) Operations Technical Services was reorganized for FY01, department functions were split between Maintenance & Engineering and Operations Liaisons.

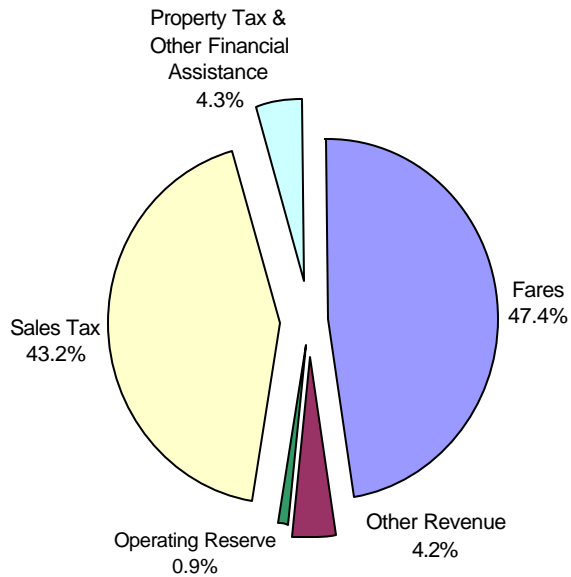
SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
FY01 REVISED PRELIMINARY BUDGET
FY00 vs FY01 STAFFING COMPARISON
HIGH WATER

| OFFICE / DEPARTMENT | FY00 ADOPTED BUDGET | | | FY01 REVISED PRELIMINARY BUDGET | | |
|--------------------------------|------------------------|--------------------|----------------|------------------------------------|--------------------|----------------|
| | Oper. Staff | Capital/ Reimb. | Total Staff | Oper. Staff | Capital/ Reimb. | Total Staff |
| GENERAL MANAGER | 5.0 | | 5.0 | 6.0 | | 6.0 |
| GENERAL COUNSEL (LEGAL) | 21.0 | 4.0 | 25.0 | 21.0 | 4.0 | 25.0 |
| CONTROLLER-TREASURER (FINANCE) | 127.0 | 3.0 | 130.0 | 127.0 | 3.0 | 130.0 |
| DISTRICT SECRETARY | 8.0 | | 8.0 | 8.0 | | 8.0 |
| ADMINISTRATION | 203.5 | 15.0 | 218.5 | 207.5 | 13.0 | 220.5 |
| EXTERNAL AFFAIRS | 60.0 | 0.0 | 60.0 | 61.0 | 0.0 | 61.0 |
| POLICE | 257.0 | 1.0 | 258.0 | 262.0 | 1.0 | 263.0 |
| OPERATIONS | 2,321.5 | 188.0 | 2,509.5 | 2,357.5 | 177.0 | 2,534.5 |
| WEST BAY EXTENSIONS | 0.0 | 48.0 | 48.0 | 0.0 | 48.0 | 48.0 |
| TRANSIT SYSTEM DEVELOPMENT | 1.0 | 62.0 | 63.0 | 1.0 | 64.0 | 65.0 |
| BUDGET & BUSINESS MANAGEMENT | 89.0 | 17.0 | 106.0 | 91.0 | 18.0 | 109.0 |
| OFFICE OF CIVIL RIGHTS | 12.0 | 2.0 | 14.0 | 12.0 | 2.0 | 14.0 |
| CAPITOL CORRIDOR (*) | 0.0 | 6.0 | 6.0 | 0.0 | 6.0 | 6.0 |
| SUB-TOTAL | 3,105.0 | 346.0 | 3,451.0 | 3,154.0 | 336.0 | 3,490.0 |
| COST ALLOCATION PLAN | (48.0) | 48.0 | 0.0 | (48.0) | 48.0 | 0.0 |
| DISTRICT TOTAL | 3,057.0 | 394.0 | 3,451.0 | 3,106.0 | 384.0 | 3,490.0 |

FY00 ADOPTED OPERATING BUDGET SOURCES and USES of FUNDS

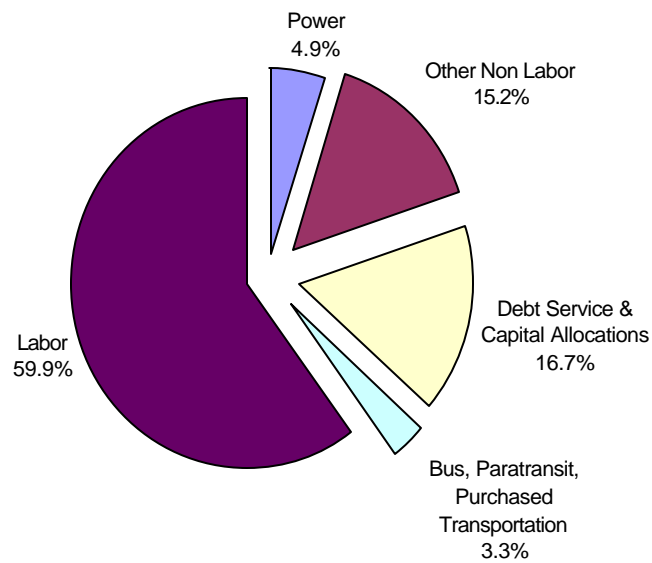
(\$Millions)

SOURCES



\$368.9

USES

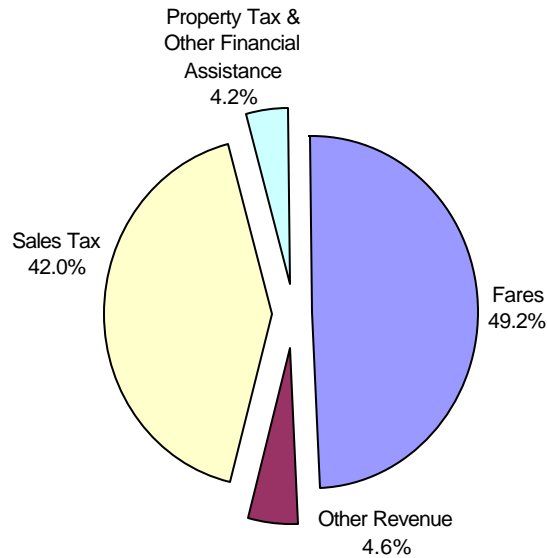


\$368.9

FY01 REVISED PRELIMINARY OPERATING BUDGET SOURCES and USES of FUNDS

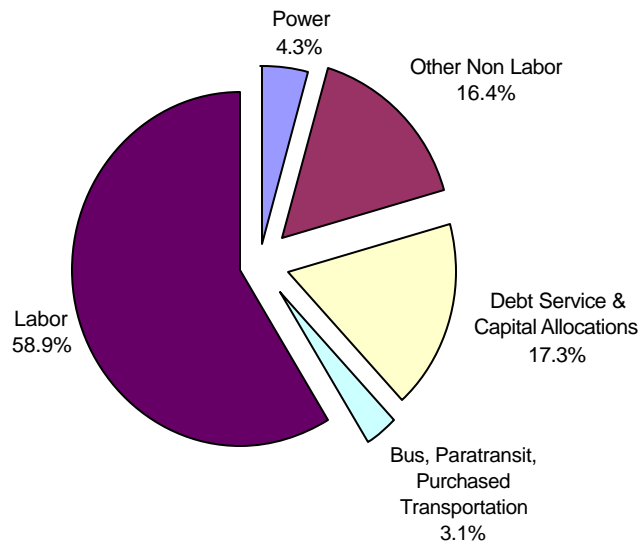
(\$Millions)

SOURCES



\$407.3

USES



\$407.3